



Hut 8 Mining Corp. Reports Financial Results for Third Quarter 2018

TORONTO, Nov. 08, 2018 -- [Hut 8 Mining Corp.](#) (“Hut 8” or the “Company”) (TSXV: HUT) (OTCQX: HUTMF), the world’s largest public cryptocurrency mining company by operating capacity and market capitalization, today announces its financial results for the third quarter ended September 30, 2018. Hut 8 reports all amounts in Canadian Dollars unless otherwise stated.

- Record revenue of \$17.7 million for Q3 and \$36.4 million for the nine months ended September 30, 2018.
- Adjusted EBITDA of \$7.1 million for Q3 and \$18.7 million for the nine months ended September 30, 2018.
- Completion of installation and operation of 56 BlockBoxes in the City of Medicine Hat facility (“CMH”), representing an increase of 67.2 MW of operating capacity.
- Closing of US\$16 million loan facility with Galaxy Digital.
- 1,978 bitcoin mined in Q3.

	Three months ended September 30, 2018		Nine months ended September 30, 2018	
Revenue	\$	17,654,901	\$	36,444,220
Site operating costs		(8,727,399)		(13,736,529)
Mining profit		8,927,502		22,707,691
Mining profit margin		51%		62%
Depreciation		(17,440,571)		(28,981,535)
Gross profit	\$	(8,513,069)	\$	(6,273,844)
Gross profit margin		-48%		-17%
Expenses		(2,618,779)		(7,810,921)
Net operating loss		(11,131,848)		(14,084,765)
Fair value loss on re-measurement of digital assets		(317,177)		(6,146,449)
Foreign exchange gain		251,123		248,673
Net finance expense		(245,976)		(213,661)
Net loss and comprehensive loss		(11,443,878)		(20,196,202)
Adjusted EBITDA	\$	7,176,479	\$	18,726,896
Adjusted EBITDA margin		41%		51%
Net loss per share - basic and diluted	\$	(0.14)	\$	(0.25)
Bitcoin mined		1,978		3,581
Cost per bitcoin (USD)	\$	3,394	\$	2,977

Q3 2018 was the first quarter for Hut 8 that included the impact of mining operations at our CMH facility, which includes 40 BlockBoxes beginning in July 2018, together with an additional 16 BlockBoxes in September 2018, for an aggregate of 56 BlockBoxes at that site. As a result of this increased capacity, Hut 8 produced \$17.7 million of revenue for the quarter, its largest ever for a single quarter and a 126% increase from the prior quarter revenue of \$7.8 million.

The Company also recorded \$7.2 million in Adjusted EBITDA, an 86% increase from the prior quarter of \$3.9 million, largely as a result of increased revenue from the new facility at CMH. Efficiency of the ASIC chips used to mine bitcoin is expected to increase during the colder months in Alberta, leading to improved performance in Q4 when compared to Q3.

Hut 8's cost for mining a bitcoin in Q3 2018 was US\$3,394, which is below the current market bitcoin price of approximately US\$6,500, making Hut 8 amongst the lowest-cost miners of bitcoin in the world. This is reflected in the Company's quarterly results, as its mining profit for the quarter was \$8.8 million with a mining profit margin of 51%.

Hut 8's mining profit margin and adjusted EBITDA margins were lower during Q3 for two reasons: (i) the price of bitcoin appreciated through the quarter, combined with increased competition from other bitcoin miners (expressed through increased network hash rate); and (ii) to a lesser extent, record setting summer temperatures in Alberta that caused increases in the price of electricity at its Drumheller facility, which facility procures electricity from the Alberta grid. The impact of a hot summer was far less at Hut 8's larger facility in CMH, which purchases the majority of its electricity under contract with fixed prices.

"Our Drumheller facility represents approximately 20% of our operations," said Andrew Kiguel, Chief Executive Officer of Hut 8. "This summer, a record-setting heat wave in the province resulted in increased electricity costs during certain periods. The result was increased electricity costs at the Drumheller site by approximately \$0.01 per Kilowatt hour on average. We are actively managing our exposure to market prices through a number of different means. Despite this, Hut 8 achieved record revenue for Q3 and strong overall margins."

A conference call has been scheduled to discuss the Company's third quarter financial results, hosted by CEO Andrew Kiguel and CFO Jimmy Vaiopoulos, starting at 10:00 a.m. ET today.

Date: Thursday, November 8, 2018

Time: 10:00 a.m. ET

Dial-In: 1 (888) 465-5079, Canada 1 (888) 424-8151, US

Passcode: 6281 943#

Hut 8 currently operates a total of 73 BlockBox Data Centers, including 56 BlockBoxes at its facility in CMH, Alberta, each BlockBox with 1.2 MW of capacity, representing an aggregate of 67.2 MW of maximum operating power capacity. Hut 8 is currently operating: (a) approximately 63.2 MW in CMH with a target to reach full capacity of 67.2 MW in Q1 2019; and (b) 17 BlockBoxes at its facility in Drumheller, Alberta, representing an aggregate of 18.7 MW of maximum operating power capacity. Hut 8 has a total maximum operating power capacity of 85.9 MW and an average actual operating hash rate of over 640 Petahashes per second.

This earnings release should be read in conjunction with the Company's Management Discussion & Analysis, Financial Statements and Notes to Financial Statements for Q3 2018, which has been posted under the Company's profile on SEDAR at www.sedar.com and are also available on the Company's website at www.hut8mining.com.

Since beginning its mining operations in December 2017, Hut 8 has mined more than 4,200 bitcoin. As of September 30, 2018, Hut 8 had 85,228,858 shares outstanding, 965,000 options and 2,882,222 warrants.

ABOUT HUT 8 MINING CORP.

Hut 8 Mining Corp., headquartered in Toronto, Canada is a cryptocurrency mining company established through an exclusive arrangement with the Bitfury Group, the world's leading full-service blockchain technology company. Through the Bitfury Group, Hut 8 has access to a world-leading proprietary mix of hardware, software and operational expertise to construct, optimize and manage data centres in low-cost and attractive jurisdictions.

Hut 8 provides investors with direct exposure to bitcoin, without the technical complexity or constraints of purchasing the underlying cryptocurrency. Investors avoid the need to create online wallets, wire money offshore and safely store their bitcoin. Hut 8 provides a secure and simple way to invest.

Key investment highlights and FAQ's: <https://www.hut8mining.com/investors>.

Keep up-to-date on Hut 8 events and developments and join our online communities at [Facebook](#), [Twitter](#), [Instagram](#) and [LinkedIn](#).

Hut 8 Corporate Contact:

Andrew Kiguel

Chief Executive Officer

Tel: (647) 256-1992

Email: ak@hut8mining.com

Hut 8 Media Contact:

Natalie Davidson

Tel: (778) 955-8012

Email: natalied@talkshopmedia.com

Investors Relations Contact:

George Aizpurua

VP, Communications

Tel: 416.742.5600

Email: gaizpurua@firstcanadiancapital.com

Non-GAAP Measures

This press release presents certain non-GAAP (“GAAP” refers to Generally Accepted Accounting Principles) financial measures to assist readers in understanding the Company’s performance. These non-GAAP measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Management uses these non-GAAP measures to supplement the analysis and evaluation of operating performance.

The following terms are used, which are not found in the Chartered Professional Accountants of Canada Handbook and do not have a standardized meaning under GAAP.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortization)

- “**EBITDA**” represents net income or loss excluding net finance income or expense, income tax or recovery, depreciation, and amortization.
- “**Adjusted EBITDA**” represents EBITDA adjusted to exclude share-based compensation, fair value loss or gain on re-measurement of digital assets, and costs associated with one-time transactions (such as listing fees).
- “**Adjusted EBITDA margin**” represents Adjusted EBITDA as a percentage of revenue.

“**Mining Profit**” represents gross profit (revenue less cost of revenue), excluding depreciation. “**Mining Profit Margin**” represents Mining Profit as a percentage of revenue.

“**Cost per bitcoin**” represents cost of revenue excluding depreciation, divided by the number of bitcoin mined in the period.

Forward Looking Statements

Certain information in this press release constitutes forward-looking information. In some cases, but not necessarily in all cases, forward-looking information can be identified by the use of forward-looking terminology, such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “assumes”, “anticipates” or “does not anticipate” or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, “will” or “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts, but instead represent management’s expectations, estimates and projections regarding future events.

Forward-looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by Hut 8 as of the date of this press release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the “Risk Factors” section of the Filing Statement dated March 1, 2018 relating to the Qualifying Transaction of Oriana Resources Corporation and Hut 8, which is available at www.sedar.com. These factors are not intended to represent a complete list of the factors that could affect Hut 8; however, these factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. The forward-looking statements contained in this press release are made as of the date of this press release, and Hut 8 expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.